

5163716058

cc: Wayne



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February 13, 2013

Mr. Ted McDougall  
Bureau of Land Management  
Monticello Field Office  
365 North Main Street  
Monticello, Utah 84535

Mr. Wayne Western  
State of Utah Department of Natural Resources  
Division of Oil, Gas and Mining  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, UT 84114-5801

**Re: Sage Mine and Exploration Update, San Juan County, Utah  
Sage Exploration (UTU-74646 and E/037/0184), Sage Monitoring Wells (UTU-74647 and  
E/037/0188) and Sage Mine (S/037/0058)**

Gentlemen:

Colorado Plateau Partners LLC (CPP) acquired the Sage Mine approximately a year ago from Uranium One Americas, Inc. (U1) and transferred the Small Mine permit with the Division of Oil, Gas and Mining (DOGM) from U1 to CPP. U1 had previously acquired the mine and Small Mine Permit from Butt Mining Company (BMC) in 2008. Although relatively small, the mine has a long history having been developed, operated, and permitted by Atlas Minerals in the 1970s and 1980s. The mine was placed on standby in 1982 and later acquired in 1988 by BMC. BMC operated the mine for a period of time in the 1990s before placing it on standby.

Energy Fuels Resources Corporation (Energy Fuels), which had been a 50 percent owner in CPP along with Aldershot Resources Ltd. (Aldershot), acquired all of the assets of CPP from Aldershot in October 2012. Although the mine assets and permits remain under the control of CPP, Energy Fuels anticipates that future restructuring of the company may result in changing the name of CPP and possibly transferring responsibility for mine operations to Energy Fuels Resources (USA) Inc (formerly Denison Mines (USA) Corp.). We will keep you posted on any restructuring and will file the appropriate transfer forms and/or new permit applications at that time.

CPP is currently maintaining the Sage Mine in temporary cessation while developing future mine plans, establishing baseline conditions, and preparing a Plan of Operations and Amended Small Mine Notice of Intent for submittal to the Bureau of Land Management (BLM) and DOGM, respectively. Maintenance and permitting activities conducted over the past year are summarized below.

#### **Maintenance Activities**

With the acquisition of the Sage Mine from U1 and obtaining full responsibility for the CPP exploration activities previously conducted by Aldershot personnel, CPP had taken steps to improve the environmental and safety conditions at these sites. These activities are summarized below. Before and after photos also provided at the end of this letter.

Exploration Project UTU-74647 and E/037/0184:

- Drill hole SP-11-006, which apparently had not been plugged during previous reclamation activities was attended to on November 12, 2012. The hole was backfilled with cuttings and an expanded foam plug was placed in the upper 2-7 feet below ground level. The top of the hole was then filled with soil and seeded.

Sage Mine S/037/0058

- The portal of the mine had been backfilled by a previous mine operator for safety reasons while the mine was on standby. When we acquired the property, we found that the timbers under the fill material had collapsed over time resulting in subsidence and the creation of openings to the surface at the portal and in a second area located a short distance into the decline. We backfilled both of these locations on November 26, 2012, effectively re-sealing them and preventing unauthorized access by the public.
- The vent shaft shroud, which had been partially disassembled, has been reattached and welded shut preventing public access.
- Locks were placed on the two buildings to prevent public access.
- General housekeeping, including removal of old hoses and debris, was completed in November.
- The powder magazine has been cleaned out but the door does not shut, as the floor has heaved. The primer magazine is empty and the door is partially silted in. we plan to repair and secure both doors in the spring.
- Existing drainage controls were evaluated while on site. We plan to install berms and/or silt fence in the spring on the crest and toe of the waste rock area to improve on-site erosion control.

**Engineering and Permitting Activities**

The following engineering and permitting activities were completed during 2012 at the Sage Mine.

Sage Mine S/037/0058

- New mine surface facilities, including two remote ventilation shafts and a mine water treatment plant, were designed for the project.
- Water levels and samples were obtained at the existing ventilation shaft.
- A mine development and operation plan was prepared.
- Biological and culture resource surveys were conducted over the proposed areas of disturbance.

Exploration Project UTU-74646 and E/037/0188:

- Three monitoring wells were installed to establish baseline groundwater conditions for a proposed mine water treatment plant.
- Six of the eight required baseline sampling events were conducted at the monitoring wells. The final two sampling events will be completed over the next two quarters.
- A draft Groundwater Discharge Permit Application to the Utah Water Quality Division was prepared for the water treatment facility. It will be finalized once the baseline monitoring has been completed.

Energy Fuels plans to conduct additional maintenance activities at the Sage Mine this spring. We are also preparing a Plan of Operations and a revised Small Mine NOI; however, other Utah projects such as the Daneros Mine, La Sal Complex, and the Calliham Mine currently are a higher priority. The Sage Mine submittals are currently scheduled for 4<sup>th</sup> Quarter 2013. If you have any additional questions or concerns, please contact me at 303-974-2146 or email to [ffilas@energyfuels.com](mailto:ffilas@energyfuels.com).

Sincerely,

A handwritten signature in blue ink, appearing to read "Frank Filas".

Frank Filas, P.E.

Director of Environmental & Regulatory Affairs

Attachment: Site Photos

Cc: D. White, R. Ellis, R. Fisher, D. Turk, J. Massey (Energy Fuels)





Drill hole found with Branches placed in the hole



Drill hole found with Branches placed in the hole



Drill hole with branches removed



Backfilled drill hole





Backfilled drill hole



Open portal caused by collapsed timber



Open portal caused by collapsed timber



Open portal caused by collapsed timber





Open portal caused by collapsed timber



Backfilled portal





Backfilled portal



Equipment operator backfilling portal

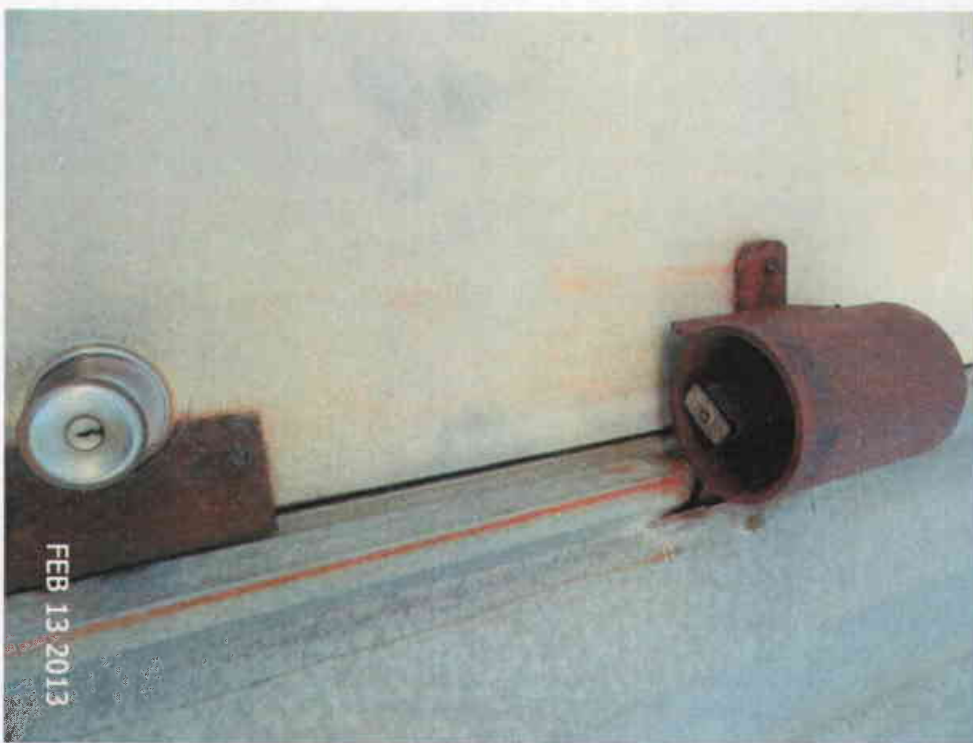


Open Vent Shaft



Vent Shaft Shroud welded on





Lock installed on west building



Lock installed on east building



Powder magazine (left) Primer Magazine (right)



Cleaned out powder magazine





Primer magazine – the door has silted in preventing access



Primer magazine – needs cleaning out